

Message Text

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13

ACTION NEA-16

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04

USIA-15 PRS-01 DRC-01 /170 W

----- 093900

R 290920Z AUG 74

FM AMEMBASSY NEW DELHI

TO AMEMBASSY JIDDA

INFO SECSTATE WASHDC 3558

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E. O. 11652: N/A

TAGS: ENRG, BTRA, IN, SA

SUBJECT: GOI OIL TEAM TO VISIT SAUDI ARABIA

1. RECENT PRESS REPORTS CLAIM THAT GOI PETROLEUM MINISTRY SECRETARY, P. K. DAVE, AND FINANCE MINISTRY AND INDIAN OIL CORPORATION REPRESENTATIVES, PLAN TO VISIT SAUDI ARABIA (POSSIBLY JIDDA AND RIYADH) BEGINNING SEPTEMBER 1. PURPOSE OF TRIP WILL BE TO DISCUSS POSTPONEMENT OF CRUDE OIL DELIVERIES FROM STATE-OWNED PETROMIN AND TO AGAIN SEEK LONG TERM DEFERRED PAYMENT CREDIT ON COMMITTED PURCHASES DURING THE REMAINDER OF 1974 AND 1975.

2. THE GOI IMPORTED ABOUT 1.1 MILLION TONS (8.0 MILLION BARRELS) OF SAUDI ARABIAN CRUDE DURING 1973 UNDER INDIA'S CURRENT GOVERNMENT-TO-GOVERNMENT SUPPLY CONTRACT WITH PETROMIN, AND IS SCHEDULED TO RECEIVE SIMILAR VOLUMES ANNUALLY

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DURING 1974 AND 1975. OF THIS YEAR'S QUOTA, INDIA RECEIVED

0.65 MILLION TONS (4.7 MILLION BARRELS) THROUGH JUNE. JULY AND AUGUST DELIVERIES FROM PETROMIN WERE SUSPENDED AT INDIA'S REQUEST, PENDING A REVIEW BY THE GOI OF THE COUNTRY'S PRIORITIES IN OIL AND PRICES (VIS-AVIS FOREIGN EXCHANGE HOLDINGS).

3. INDIA'S PRIVATE SECTOR CRUDE SUPPLIERS ARE CONTINUING TO IMPORT OIL AT PRICES NOTABLY LESS THAN THE GOVERNMENT MUST PAY PETROMIN FOR SIMILAR QUALITIES. BURMAH-SHELL (LIGHT IRANIAN CRUDE) CURRENTLY CHARGES THE GOI \$9.90 AND CALTEX (LIGHT ARABIAN CRUDE) \$9.75 PER BARREL (F.O.B. OILPORTS). EXXON'S ARABIAN MIX (FOR HINDUSTAN PETROLEUM CORPORATION) IS PROVISIONALLY PEGGED AT \$9.56 PER BARREL. CONCURRENTLY, GOVERNMENT-TO-GOVERNMENT CRUDE FROM IRAQ, IRAN AND SAUDI ARABIA, AT 93 PERCENT OF POSTED PRICE, RANGES BETWEEN \$10.83-11.25 PER BARREL (F.O.B.).

4. INDIA'S CRUDE IMPORTS FROM GOVERNMENT SOURCES IN IRAQ AND IRAN ARE PURCHASED ON DEFERRED PAYMENT PLANS INVOLVING SMALL DOWN PAYMENTS AT THE TIME OF DELIVERY, FOLLOWED BY A FIVE-YEAR GRACE PERIOD AND REPAYMENT OVER THE NEXT FIVE YEARS AT AN INTEREST RATE UNDERSTOOD TO BE ABOUT 2.5 PERCENT. THE GOI JUSTIFIES THE HIGHER PRICES FROM EACH SOURCE ON GROUNDS THAT THE DEFERRED PAYMENT SCHEMES GIVE SUBSTANTIAL FINANCIAL RELIEF ON THE SHORT TERM. MEANWHILE, SAUDI ARABIAN PARTICIPATION CRUDE MUST BE PAID FOR IMMEDIATELY, AT \$10.83 PER BARREL; \$1.08 PER BARREL ABOVE THAT WHICH THE SAME CRUDE COSTS THROUGH CALTEX SOURCES. DAVE IS THEREFORE EXPECTED TO ONCE AGAIN ATTEMPT TO NEGOTIATE A DEFERRED PAYMENT PLAN, FOR THE REMAINDER OF INDIA'S PURCHASES UNDER THE GOI'S EXISTING CONTRACT WITH PETROMIN (AN EARLIER AND FRUITLESS EFFORT, PRIOR TO THE SIGNING OF THE CURRENT GOI/PETROMIN CONTRACT, AS ILL-TIMED). IF SUCCESSFUL, HE MAY THEN OFFER TO INCREASE PURCHASES FROM SAUDI ARABIA, TO THE EXTENT POSSIBLE. (THIS WOULD GIVE THE GOI A LONG-DESIRED OPPORTUNITY TO FURTHER REDUCE PURCHASE ALLOTMENTS TO THE PRIVATE SECTOR REFINERIES IN INDIA; I. E. BURMAH-SHELL AND CALTEX.) FAILING THIS, DAVE MAY THEN ONLY BE ABLE TO ASK FOR A REDUCTION IN PRICE, (CONSIDERED BY THE GOI TO BE UNLIKELY) OR SOME FORM OF ESCAPE FROM INDIA'S ON-GOING CONTRACT (ALSO A DIFFICULT TASK).

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5. WE WILL APPRECIATE LEARNING OF EARLY DEVELOPMENTS IN THIS REGARD, SHOULD AMEMBASSY JIDDA HAVE AN OPPORTUNITY TO FOLLOW THE PROGRESS OF THESE DISCUSSIONS.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, IMPORTS, DEBT REPAYMENTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE11485
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740239-0508
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974088/aaaaageu.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 16 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Aug-2002 by WorrelSW>; APPROVED <05 MAR 2003 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOI OIL TEAM TO VISIT SAUDI ARABIA
TAGS: ENRG, BTRA, IN, SA, (DAVE, P K)
To: JIDDA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005